

Message Text

LIMITED OFFICIAL USE

PAGE 01 KINGST 02696 202019Z
ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 /091 W
-----064325 202154Z /64
R 201705Z MAR 78
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 0305

LIMITED OFFICIAL USE KINGSTON 2696

E.O. 11652: N/A
TAGS: EFIN, JM
SUBJECT: OPPOSITION LEADER EDWARD SEAGA SPEAKS IN THE DEBATE
ON THE FIRST SUPPLEMENTARY ESTIMATES

REFERENCE: KINGSTON 2351

1. SPEAKING IN THE DEBATE ON THE FIRST SUPPLEMENTARY
(BUDGET) ESTIMATES FOR 1977/78, AS REPORTED IN THE DAILY
GLENER OF MARCH 16, OPPOSITION LEADER EDWARD SEAGA
HAS "CALLED FOR A CHANGE OF POLITICAL DIRECTION TO
RESTORE SOLVENCY, MANAGEMENT ACCOUNTABILITY AND
CONFIDENCE IN GOVERNMENT". MR. SEAGA SAID THE LACK OF
FINANCIAL LEADERSHIP WAS "RESULTING IN BANKRUPTCY, LACK
OF SOLVENCY, CHAOS IN PLACE OF MANAGEMENT, INDISCIPLINE
IN PLACE OF ACCOUNTABILITY, ALL OF WHICH RESULT IN THE
NATION BEING RUN BY MISTRUST, MISCONDUCT, MISTAKES AND
MISDIRECTION".

2. MR. SEAGA CALLED ON FINANCE MINISTER ERIC BELL TO
RESORT TO "ZERO BUDGETING" UNDER WHICH EVERY EXPENDITURE
HAD TO BE JUSTIFIED. WHILE RETAINING THE EMPLOYMENT
CONTENT OF THE BUDGET, HE SAID EVERY EFFORT SHOULD BE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KINGST 02696 202019Z

MADE TO TAKE OUT THE "BUDGETARY FAT" AND CARRY OUT
RATIONALIZATIONS.

3. ON THE IMF NEGOTIATIONS, MR. SEAGA SAID HE HAD
INFORMATION THAT A TOTAL OF \$270 MILLION WAS BEING SOUGHT
OVER THE NEXT THREE YEARS; BUT NO IMF AGREEMENT WOULD
HELP UNLESS THERE WAS A CHANGE OF POLITICAL DIRECTION.

BANKERS WERE NOT ONLY LOOKING AT FIGURES BUT "AT THE POLITICS OF A SITUATION" AS TO WHETHER PRODUCTIVE POLICIES WOULD BE FOLLOWED. "THERE HAD TO BE A BASIC RESTRUCTURING TO ALLOW THE FUNDS TO WORK", HE SAID. HE ADDED THAT ONE AREA OF CONFRONTATION WITH THE IMF WAS ON A WAGES AND INCOMES POLICY. GOVERNMENT HAD TO DECIDE BETWEEN A FIXED EXCHANGE RATE TOGETHER WITH A WAGE FREEZE, AND A "CRAWLING PEG" RATE OF EXCHANGE COUPLED WITH A "CRAWLING PEG" IN WAGE ADJUSTMENTS - THE LATTER INVOLVING MONTHLY DEVALUATIONS AND CORRESPONDING WAGE ADJUSTMENTS.

4. MR. SEAGA SAID THAT UNDERLYING ALL THE PROBLEMS WAS THE MATTER OF CONFIDENCE; DECLARING THAT 229 IMPORT ITEMS HAD BEEN BANNED, HE SAID THE COUNTRY WAS ENTERING A NEW PHASE OF CONSUMER SOCIETY AND WAS "BEING REDUCED TO A CUBAN TYPE SOCIETY". HE SAID TRADE CREDITS WERE BEING ROLLED OVER AND IRREVOCABLE LETTERS OF CREDIT COULD NOT BE HONORED.

5. DESCRIBING THE FOREIGN EXCHANGE SITUATION AS A MOST CRUCIAL AREA, MR. SEAGA SPELLED OUT IMPLICATIONS FOR CARICOM. WITH IMPORTS RESTRICTED TO J\$640 MILLION FOR 1978, HE SAID CARICOM IMPORTS WOULD BE CONSIDERABLY REDUCED, AND IT WOULD AFFECT OUR OWN EXPORTS. HE HOPED THE GOVERNMENT WOULD NOT IMPOSE NEW TAXES TO FIND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KINGST 02696 202019Z

REVENUE TO CLOSE THE RESOURCE GAP IN RECURRENT EXPENDITURE. IN THE LAST THREE YEARS THERE HAD BEEN AN INCREASE OF \$235 MILLION IN RECURRENT EXPENDITURE WHILE REVENUES INCREASED BY A MERE \$35 MILLION.

6. MR. SEAGA SAID HE COULD FIND NO PROVISIONS IN THE ESTIMATES FOR MAKING GOOD ON THE DEFAULT ON GOVERNMENT GUARANTEES AMOUNTING TO \$17.1 MILLION. THE JAMAICA TELEPHONE COMPANY, AIR JAMAICA, URBAN DEVELOPMENT CORPORATION, JAMAICA RAILWAY CORPORATION AND THREE HOTEL COMPANIES HAD BEEN UNABLE TO MEET THEIR DEBT SERVICES AND HAD TO FALL BACK ON GOVERNMENT GUARANTEES.

COMMENT:

7. WE CAN AGREE WITH SEVERAL OF THE CRITICISMS DIRECTED BY MR. SEAGA AT THE GOVERNMENT'S POLICIES, PARTICULARLY WITH HIS CALL FOR THE NEED FOR A BASIC RESTRUCTURING OF ECONOMIC POLICIES. HOWEVER, WHILE MR. SEAGA'S CRITICISMS ARE POINTED AND SPECIFIC, THE SAME CANNOT BE SAID WITH RESPECT TO THE ALTERNATIVES THAT HE OFFERS.

8. THERE IS NO CLEAR INDICATION AS TO WHAT HE WOULD DO IF HE WERE IN POWER. WE CAN PRESUME FROM THE TONE OF HIS CRITICISMS IN THIS SPEECH AS WELL AS THE ONE OF MARCH 2 (REPORTED IN REFTTEL) THAT HE WOULD PURSUE A LINE THAT IS LESS INTERVENTIONIST AND WOULD PROVIDE MORE POSITIVE SIGNALS TO THE PRIVATE SECTOR; AND A MORE CONSERVATIVE POLICY WITH RESPECT TO FISCAL MANAGEMENT. IN PARTICULAR, WE WOULD EXPECT HIM TO TRY HARD TO REDUCE THE BUDGETARY DEFICIT BY CUTTING BACK ON EXPENDITURES, THOUGH HIS ABILITY TO DO SO MAY BE MORE CONSTRAINED BY POLITICAL FACTORS THAN HE IS PRESENTLY PREPARED TO ADMIT.

IRVING

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, GOVERNMENT BUDGET, OPPOSITION PARTIES, POLITICAL LEADERS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINGST02696
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780123-0289
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780348/aaaaboIU.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 594ef2c3-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 KINGSTON 2351
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3270879
Secure: OPEN
Status: NATIVE
Subject: OPPOSITION LEADER EDWARD SEAGA SPEAKS IN THE DEBATE ON THE FIRST SUPPLEMENTARY ESTIMATES
TAGS: EFIN, JM, (SEAGA, EDWARD)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/594ef2c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014